Q. Reference: Dr. Booth Evidence, Page 71, Lines 4-6

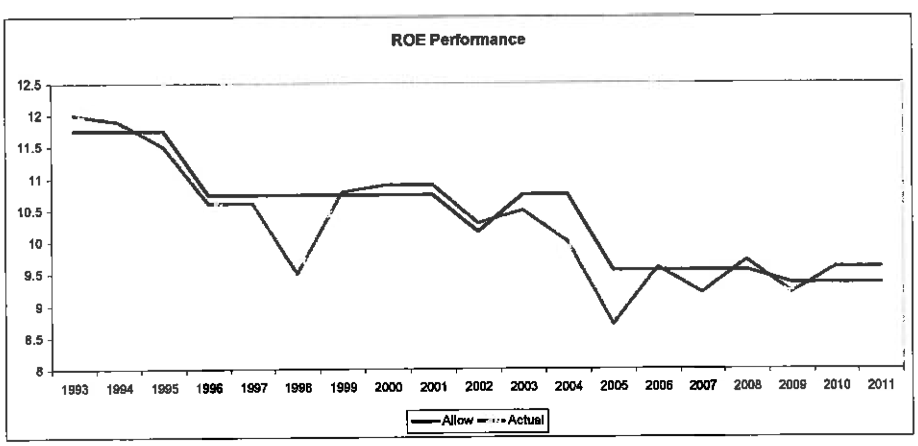
"I judge the best way to handle capital structure as the approach adopted by the National Energy Board, the Alberta Utilities Commission, the Regie and the Ontario Energy Board, which is to determine capital structure based on the business risk of the utility."

Does Dr. Booth believe the business risk of Newfoundland Power is different from the business risk of other Canadian utilities? If so, please explain in detail how Newfoundland Power's business risk is different from other Canadian utilities.

A. The business risk of NP may be different, but the degree of regulatory protection is similar to that of other Canadian utilities and this is the major factor differentiating Canadian utilities from other firms.

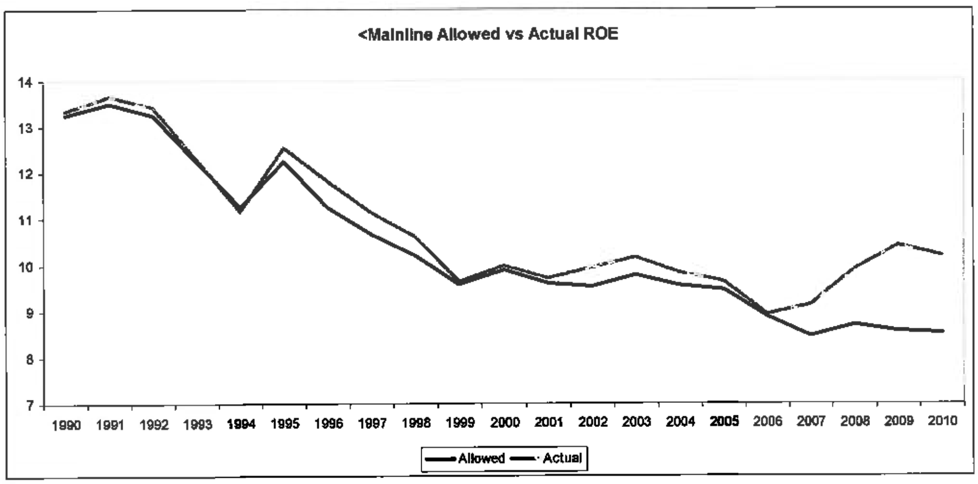
Further NP's ability to earn its allowed ROE and over-earn is essentially the same as other utilities and this reflects business, regulatory and financial risk, which is what the shareholder is concerned with. It is why Dr. Booth recommends the same benchmark ROE for NP as other Canadian utilities.

For example in Dr. Booth's 2012 evidence he provided the following allowed versus actual for Nova Scotia Power,



NSPI was regarded as quite risky as an integrated electric company with generation, transmission and distribution until it got a comprehensive fuel adjustment mechanism deferral account so it suffered marginally greater variability around its allowed ROE than NP.

Similarly Dr. Booth produced the following for the TransCanada Mainline.



Dr. Booth judges the Mainline to be quite risky as the NEB had a major hearing (RH-3-2011) to assess its risk given its very low load and perceptions of high stranded asset risk. However, it continued to over earn even given the high underlying business risk.